

**MEETING OF THE SOUTH CAROLINA  
STIMULUS OVERSIGHT, ACCOUNTABILITY AND COORDINATION**

**TASK FORCE**

Room 504 – Blatt Building

August 27, 2009

**I. Call to Order and Adoption of Proposed Agenda:**

- Meeting was called to order by Comptroller Richard Eckstrom.
- Agenda was approved as presented.

There appears to be some conflicting guidance on 1512 reporting coming from OMB and the U.S. Department of Education (USDE). The Reporting Working Group, which reports to the State Treasurer, will be responsible to follow-up on obtaining a resolution to that conflicting guidance. There will be a significant impact on reporting, if the guidance recently received from the USDE controls the reporting requirements for Stabilization Funds.

**II. Approval of Minutes of Previous Meeting:**

Minutes of last meeting were approved as presented.

**Stimulus Funds Received by State Agencies [Agenda Item IV, below]**

Comptroller Eckstrom stated he would like to move up two of the agenda items and use it to kickoff our meeting today. The last page in the packet shows the revenue and expenditures of Stimulus Funds. This page is a product of numbers that come from the Statewide Accounting System (STARS). As of August 24, 2009 it shows from all of the state agencies that run through STARS as follows:

- Stimulus revenue and expenditure recorded in STARS as of August 24 - \$530 million.
- Expenditures have been roughly \$513 million.
- Unexpended funds of roughly \$16 million.
- The S.C. Department of Commerce spent approximately \$2.7M more than they have taken in. This is expected because many agencies receive these funds on a cost reimbursement basis and there will be timing differences.
- Employment Security Commission has spent \$2.3M more than it has taken in.
- Dept. of Transportation is beginning to spend funds and this will be crucial to job creation. Revenues are now being paid out on major road projects across the state.

**Other Business [Agenda Item V, below]**

Comptroller Eckstrom invited the agency representatives to ask questions that they would like to have addressed. He asked them:

- Voice your concerns, problems and suggestions.
- If questions are not brought up no further actions can be planned.
- He encourages agencies to become a part of the Task Force.

**SCDOT** Debra Rountree reported that SCDOT has \$2.7 million in expenditures and significantly more projects have been started. The turn-around time from on Federal Funds is good. SCDOT has a significant number of reporting requirements to the USDOT and to Congressional Committees.

**SCDE** Betsy Carpentier reported that SCDE is collecting from 85 plus school districts related to grants, funding and reporting. SCDE will not accept Education Stabilization Fund Application until after October 1. This means those Grant awards will not be part of the first 1512 reporting period. SCDE is moving forward with its own reporting form and has come up with a several issues.

- Need to compile all payments over \$25,000.
- There is a field for the number of payments below \$25,000.
- We don't know if this means the number of payments, the number of contracts or the number of vendors.
- Infrastructure requirement are different.

Comptroller Eckstrom thanked SCDE for its hard work.

Comptroller Eckstrom reminded all that the first quarterly report is due by October 10. He commented as follows:

- He noted that the Federal and SC Guidelines have to be studied and assimilated. If you have any questions, you should direct them to the Task Force Reporting Working Group.
- It is up to the prime recipients to report.

### **III. Working Group Reports and Actions**

#### **Guidance/Reporting Working Group – Frank Fusco** **(See handout from last month's meeting)**

He gave out a brief handout that summarizes the Working Group's last meeting.

What do we have to do to comply with the first reporting period? This is what our guidance directive covers.

- The Working Group has developed a Guidance and Reporting Directive that is ready to be issued from the Task Force. The Guidance covers the critical compliance matters needed for the October 10<sup>th</sup> reporting date. This is ready to go if we can figure out the reporting for Department of Education for the Stabilization Funds.
- Agencies need to register on the Federal website by September 14 or as soon thereafter as possible.
- Agencies need to let the Working Group know they are registered and ready to go.
- The technology component for State oversight and reporting is to moving forward and the estimated cost is approximately \$500,000.
- The budgetary support for required activities for State oversight will be pursued later.

The only thing we have launched right now is the technology component. We need to get that implemented as soon as possible. It is compatible with what we are doing in statewide technology initiative. The Board is fronting the funds for this and hopes to be able to recover it.

- We will have to figure out where / how to get money.
- We need some level of staff assigned to this reporting and coordination, perhaps 1 to 1 ½ positions.
- Budget component needs further discussion.

Comptroller Eckstrom asked about the responses from agencies on assisting with State oversight costs? Mr. Fusco stated that only one agency has responded that it has set aside up to .5% and that was the B&C Board.

The Working Group has established a central e-mail address for communicating and receiving task force directives and information:

**Stimulusreporting@SC.GOV**

It would be great to have a staff person behind that e-mail address.

The Working Group is addressing the following:

- Reconciling survey results.
- Reconciling who reported in the survey and who didn't.
- Cross checking primes.
- If Higher Education are subs who would be prime?

There was a discussion on which state agencies are prime recipients for the Stabilization Funds. Jim Holly of the Comptroller's Office commented that the latest information from USDE is that there may be two classes of primes at the state level as all state agencies are considered prime recipients of Stimulus Funds received by state government, including the Stabilization Funds. There are reporting primes and non-reporting primes. The reporting prime recipient is the one required to report by Section 1512 or Federal guidance.

Mr. Butch Bowers commented:

- There is a need for consistent guidance from Feds.
- There is a need for oversight in either personnel or budgetary support.
- Need a point person / staff to handle work load and budget support.
- Need consistent guidance from Feds in order to provide task force with information it needs to move forward and meet the October 10<sup>th</sup> deadline.
- Compliance for the first reporting deadline is our goal right now.

Comptroller Eckstrom asked if there any agency questions.

The Working Group has attempted to reach our OMB contact, but that person has not been identified yet by OMB.

DPS was asked when its \$23 million in Law Enforcement Funds is going to be spent? The DPS representative reported that the award letters will be in the mail tomorrow.

Is it recommended that agencies set aside .5%? –Frank Fusco responded-- Yes.

Dr. Kathleen Hayes of DSS asked whether the Task Force is still trying to develop budget for the costs of State oversight. Frank Fusco responded in the affirmative. The budget also will have to be approved in the Federal cost allocation process in order to access the .5% of Stimulus Funds that the Federal authorities have stated may be used for oversight and reporting costs. We may need to ask the General Assembly to agree to take funds from next year's Stimulus money that is set aside.

**Accounting Working Group: Jennifer Muir**  
**(Last meeting Tuesday, August 25, 2009 – See Handout from last month's meeting)**

The Working Group spent a great deal of time meeting with the Reporting Working Group regarding 1512 reporting. They are looking to the Accounting Working Group to establish and assist with some high level data reasonableness checks for STARS agencies.

The OMB suggests for prime recipients that they establish control totals that include number of projects and total dollars allocated to the projects. Another suggestion is verification of reported information to match control totals. OMB also suggests creating an estimated distribution of expected data along with normal distribution in order to identify outliers. OMB also suggested establishing a data quality protocol that identifies differences in results and lastly establishing cross validation procedures to try to catch duplicates.

As the Accounting Working Group, we will not be able to perform all of these data checks suggested by the OMB. These controls over data are to be performed by the prime recipients. We can provide a reasonableness test at a high level only for STARS agencies. This test would do a high level reconciliation of amounts reported to the Federal government for the 1512 reporting and the amount in the STARS system.

Comptroller Eckstrom commented that the verification procedure will be easiest in the 1<sup>st</sup> quarter - after that reporting will grow as the amounts are reported YTD. Will need to capture historical data at year end.

Frank Fusco noted that Paige Parsons of the State Treasurer's Office had developed an excellent pre-audit checklist handout for Stimulus Funds. The handout is available from Rich Gilbert of the Audit Working Group.

Jennifer Muir commented further:

- How do we accomplish any needed accountability and transparency beyond 1512 reporting? Input is needed on this issue.
- The Accounting Working Group will ways that the State may centrally assist in the oversight responsibilities included in 1512 reporting.
- For STARS agencies, the Working Group will setup a process to perform a reasonableness test on summary level expenditures.

A report on the ARRA funds received and expended to date was presented by Comptroller Eckstrom earlier in the meeting.

**Audit/Verification Working Group – Rich Gilbert**  
**(Last meeting Tuesday, August 25, 2009 – See Handout from last month’s meeting)**

One main thing we did was go over the excellent reviewer’s checklist that Paige Parsons of the State Treasurer’s Office developed.

**Highlights of Working Group meeting:**

- Discussed modification to the reviewer’s checklist.  
(Concept is similar to GAAP Closing Package Checklist).
- Include reviewer’s checklist in Guidance Reporting information that will be sent out.
- The checklist is ready for distribution now.

A number of people on the Task Force gave a presentation to a recent meeting of the Internal Auditor’s Association. This group should be more involved in the Task Force. Information will be distributed to to this group about Task Force meetings and activities.

If internal auditor resources are available in an agency, they should be used in the quality control process for Stimulus Funds.

The Guidance and Reporting directive being prepared by the Reporting Working Group will be distributed under the Treasurer’s and Comptroller’s signature. Paige Parsons suggested adding a sentence that if there are internal auditors at your agency, you may want to use them in the reporting and compliance process.

Rich Gilbert stated that he received an e-mail from College of Charleston looking for guidance on how to account for Stimulus money and guidance on reporting and other issues. He commented that we need representation from Colleges and Universities on the Task Force. Julie Carullo of the Commission on Higher Education was present at meeting. She and Frank Fusco will discuss this subject.

**Website Working Group – Scott Houston**  
**(Meeting Tuesday, August 11, 2009 & Tuesday, August 25, 2009**  
**(See Handouts from last month’s meeting)**

Much of our Working Group discussion has been around the development and potential software products that we might use for the State website. Also, the Working Group met with other Working Groups to discuss potential budget and resource acquisitions. We have decided to use something that is complimentary to the software products we already have. The SCEIS project is using Business Objects as a supporting tool. We are going to use the Business Objects Package that they have developed for Stimulus reporting.

## **Highlights of Working Group Report:**

The Federal Government has two websites:

[www.federalreporting.gov](http://www.federalreporting.gov)  
[www.recovery.gov](http://www.recovery.gov).

The Task Force has decided that recipients of Stimulus Funds should use the spreadsheet method for reporting to the Federal website.

A rough budget has been formulated and technology included in that budget to build a state website using Business Objects and the stimulus package developed by SAP. There are few state human resources available to work on this project due to the SCEIS Project. Consultants will be used to assist and expedite the project. If any Task Force members have staff or resources available to help with this, they should let Scott Houston know.

Information and guidance from the Federal agencies involved has been difficult to gather.

## **Process for reporting to the State will be:**

Agency will upload a spreadsheet to the Federal reporting website and then do the same thing to the State reporting website. The “public facing” part of the state website will be important. The Working Group suggests that we look at other state websites.

## **IV. Stimulus Funds Received by State Agencies**

See discussion above on page 1.

## **V. Other Business**

See discussion above on pages 1-2. The next meeting is scheduled for September 24, 2009

## **VI. Adjournment**

The meeting was adjourned by Co-Chair Comptroller Eckstrom.